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Headline: Global Gold rush fails to hit home run

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Coverage –

Global gold rush fails to hit home run

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in Mumbai

GLOBALLY GOLD might be shining bright but the trend is reversing in India with the yellow metal losing some sheen over the last fortnight as the Indian marriage and festive season nears its close.

With the festival and marriage seasons getting over by early January, February futures of gold were trading below the psychological barrier of ₹20,500 per 10 grams, compared to the peak of ₹20,924 it touched about a couple of weeks back.

But gold is climbing in global markets, as investors sought a safe haven from Europe's debt troubles. The international spot price of gold hit \$1388 per troy ounce (31.1034 grams) on Tuesday evening.

Gold prices are decided by the demand and supply for the precious metal in the global markets and is denominated in US dollars. Domestic prices suffer from the influence of the local currency.

A firmer rupee has checked rise in prices of this precious metal, analysts said. The rupee ended at ₹45.225/235 per dollar on Tuesday, 0.5 per cent higher than Monday's close of ₹45.47/48. "Huge dollar inflows are prompted by large external commercial borrowings (ECBs) and qualified institutional placements (QIPs) done by Indian companies," said a senior treasury official in a bank.

Responding to a query, Anand James, chief analyst of Geojit Comtrade said, "Gold has seen a small slide, not a steep fall today. Strong market and stronger rupee have also put pressure on the yellow metal."

However, in the international market it has seen a \$3 per ounce rise owing to fears of rating downgrades in Europe and worries that some Euro zone countries and banks could face more borrowing strains. Gold's safe haven appeal comes into play if there is economic or geopolitical (like skirmishes between South and North



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■ **JUNE 21**: Jumps to a new high at **\$1,264.90/oz** as underlying fears over financial market stability and sovereign risk combine with weak dollar

■ **SEPT 14**: Back to record highs at **\$1,274.75**, as markets reflected renewed uncertainty

■ **SEPT 16-22**: Hits record highs for five successive sessions, peaking at **\$1,296.10**, as investors flock to bullion after the Fed signals it may consider further quantitative easing

■ **SEPT 27**: Spot gold prices touch the **\$1,300/oz** mark

■ **OCT 7**: Gold rallies to a record high above **\$1,360/oz**

■ **OCT 13**: Gold jumped to record highs near **\$1,375/oz** as the dollar after Fed's

meeting signalled the US economy may need more stimulus

■ **NOV 8**: Gold prices break through the **\$1,400/oz** mark for the first time as haven buying prompted by renewed budget problems in Ireland more than offset a sharp dollar bounce

■ **DEC 7**: Reaches record high above **\$1,425/oz**, driven by buying ahead of year-end jitters over the euro zone debt crisis

Source: Reuters

Koreas) uncertainties.

Credit ratings of some Spanish banks were already cut, while speculation is abuzz that banks in France and Belgium also may face such cuts.

Gold is the second largest import commodity in India, after oil. India is also the top consumer of the precious metal in the world.

Robust economic prospects of the country is also expected to boost demand for the metal in the coming months. India is said

to have imported 310.3 tonnes of the yellow metal between January and November 2010, up 3.4 per cent on year compared to the same period last year.

There were rumours in the market that the Indian government is set to raise the import duties on gold to ₹1,000-₹1,500 per 10 grams, from ₹300 at present. This is intended to check higher imports of gold, which would lead to draining of dollars from the country. The duty is applicable to platinum, another

precious metal, too.

"However, demand for gold is not seen at the wholesalers level as yet. Many jewellers have already got stocks to meet their requirements," said James.

Prithviraj Kothari, president of the Bombay Bullion Association (BBA) said a couple of weeks back, "There is no festive season demand for gold of late. It is very low now. Scrap (old jewellery) sale is on the rise on the one hand and profit-booking by traders on the other have hit demand."